

UNITED WAY OF MONTEREY COUNTY

Financial Report

Years ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County
Monterey, California

We have audited the accompanying financial statements of United Way of Monterey County (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Monterey County as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hutchinson and Bloodgood LLP

October 22, 2020

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,531,291	\$ 126,279	\$ 4,657,570
Pledges receivable, less allowance of \$157,000	377,278	--	377,278
Grants and accounts receivable	133,041	65,000	198,041
Prepaid expenses	37,458	--	37,458
	<u>5,079,068</u>	<u>191,279</u>	<u>5,270,347</u>
PROPERTY AND EQUIPMENT, at cost			
Furniture and equipment	186,089	--	186,089
Less accumulated depreciation	154,085	--	154,085
	<u>32,004</u>	<u>--</u>	<u>32,004</u>
OTHER ASSETS			
Beneficial interest in assets held by others	637,299	286,606	923,905
Security deposits	4,709	--	4,709
	<u>642,008</u>	<u>286,606</u>	<u>928,614</u>
	<u>\$ 5,753,080</u>	<u>\$ 477,885</u>	<u>\$ 6,230,965</u>

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 104,179	\$ --	\$ 104,179
Grants payable, current	445,715	--	445,715
Accrued expenses	81,310	--	81,310
Designated pledges payable	14,842	--	14,842
Deferred revenue	30,190	--	30,190
Refundable advance	209,547	--	209,547
	<u>885,783</u>	<u>--</u>	<u>885,783</u>
Total current liabilities	885,783	--	885,783
LONG-TERM LIABILITIES			
Grants payable, less current portion	100,000	--	100,000
	<u>985,783</u>	<u>--</u>	<u>985,783</u>
COMMITMENTS (NOTE 18)			
NET ASSETS			
Without donor restrictions			
Undesignated	2,879,783	--	2,879,783
Board designated	1,887,514	--	1,887,514
With donor restrictions	--	477,885	477,885
	<u>4,767,297</u>	<u>477,885</u>	<u>5,245,182</u>
Total net assets	4,767,297	477,885	5,245,182
	<u>\$ 5,753,080</u>	<u>\$ 477,885</u>	<u>\$ 6,230,965</u>

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,289,701	\$ --	\$ 3,289,701
Pledges receivable, less allowance of \$160,000	393,176	--	393,176
Grants and accounts receivables	66,261	232,468	298,729
Prepaid expenses	36,785	--	36,785
	<u>3,785,923</u>	<u>232,468</u>	<u>4,018,391</u>
PROPERTY AND EQUIPMENT, at cost			
Furniture and equipment	183,876	--	183,876
Less accumulated depreciation	140,597	--	140,597
	<u>43,279</u>	<u>--</u>	<u>43,279</u>
OTHER ASSETS			
Beneficial interest in assets held by others	483,096	288,061	771,157
Security deposits	4,709	--	4,709
	<u>487,805</u>	<u>288,061</u>	<u>775,866</u>
	<u>\$ 4,317,007</u>	<u>\$ 520,529</u>	<u>\$ 4,837,536</u>

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 62,147	\$ --	\$ 62,147
Grants payable, current	342,665	--	342,665
Accrued expenses	85,770	--	85,770
Designated pledges payable	18,611	--	18,611
Deferred revenue	47,721	--	47,721
	<u>556,914</u>	<u>--</u>	<u>556,914</u>
Total current liabilities			
LONG-TERM LIABILITIES			
Grants payable, less current portion	200,000	--	200,000
	<u>756,914</u>	<u>--</u>	<u>756,914</u>
COMMITMENTS (NOTE 18)			
NET ASSETS			
Without donor restrictions			
Undesignated	2,107,918	--	2,107,918
Board designated	1,452,175	--	1,452,175
With donor restrictions	--	520,529	520,529
	<u>3,560,093</u>	<u>520,529</u>	<u>4,080,622</u>
Total net assets			
	<u>\$ 4,317,007</u>	<u>\$ 520,529</u>	<u>\$ 4,837,536</u>

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 1,290,168	\$ 41,035	\$ 1,331,203
Donor designations to other organizations	(107,286)	--	(107,286)
Provision for uncollectible pledges	(91,395)	--	(91,395)
Program grants and contractual agreements	403,018	473,011	876,029
Non-campaign bequests and gifts	1,369,176	--	1,369,176
Other support	808,843	101,036	909,879
Total support	<u>3,672,524</u>	<u>615,082</u>	<u>4,287,606</u>
Revenue:			
Investment income	88,380	5,522	93,902
Administrative fees	9,132	--	9,132
Miscellaneous income	4,234	--	4,234
Net assets released from restrictions	663,248	(663,248)	--
Total revenue	<u>764,994</u>	<u>(657,726)</u>	<u>107,268</u>
Total support and revenue	<u>4,437,518</u>	<u>(42,644)</u>	<u>4,394,874</u>
EXPENSES			
Program services:			
Community investments and designations	372,262	--	372,262
Amounts designated by donors	(107,286)	--	(107,286)
Community services	2,145,463	--	2,145,463
Support services:			
Management and general	447,012	--	447,012
Fundraising	372,863	--	372,863
Total expenses	<u>3,230,314</u>	<u>--</u>	<u>3,230,314</u>
Increase (decrease) in net assets	1,207,204	(42,644)	1,164,560
Net Assets, beginning	<u>3,560,093</u>	<u>520,529</u>	<u>4,080,622</u>
Net Assets, ending	<u>\$ 4,767,297</u>	<u>\$ 477,885</u>	<u>\$ 5,245,182</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 1,427,045	\$ 17,482	\$ 1,444,527
Donor designations to other organizations	(122,454)	--	(122,454)
Provision for uncollectible pledges	(82,138)	--	(82,138)
Program grants and contractual agreements	298,188	544,673	842,861
Non-campaign bequests and gifts	815,735	--	815,735
Other support	709,659	149,008	858,667
Total support	<u>3,046,035</u>	<u>711,163</u>	<u>3,757,198</u>
Revenue:			
Investment income	65,578	11,770	77,348
Administrative fees	12,314	--	12,314
Miscellaneous income	2,277	--	2,277
Net assets released from restrictions	512,195	(512,195)	--
Total revenue	<u>592,364</u>	<u>(500,425)</u>	<u>91,939</u>
Total support and revenue	<u>3,638,399</u>	<u>210,738</u>	<u>3,849,137</u>
EXPENSES			
Program services:			
Community investments and designations	690,236	--	690,236
Amounts designated by donors	(122,454)	--	(122,454)
Community services	1,836,603	--	1,836,603
Support services:			
Management and general	412,439	--	412,439
Fundraising	368,849	--	368,849
Total expenses	<u>3,185,673</u>	<u>--</u>	<u>3,185,673</u>
Increase in net assets	452,726	210,738	663,464
Net Assets, beginning	<u>3,107,367</u>	<u>309,791</u>	<u>3,417,158</u>
Net Assets, ending	<u>\$ 3,560,093</u>	<u>\$ 520,529</u>	<u>\$ 4,080,622</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 372,262	\$ --	\$ 372,262	\$ --	\$ --	\$ --	\$ 372,262
Amounts designated by donors	(107,286)	--	(107,286)	--	--	--	(107,286)
Net community investments	264,976	--	264,976	--	--	--	264,976
Advertising and in-kind media donations	--	815,925	815,925	580	3,668	4,248	820,173
Salaries and wages	--	560,614	560,614	263,334	243,480	506,814	1,067,428
Payroll taxes and benefits	--	148,273	148,273	69,648	64,397	134,045	282,318
Professional and other fees	--	382,539	382,539	21,849	11,848	33,697	416,236
Occupancy expenses	--	53,410	53,410	40,787	15,815	56,602	110,012
Office expense	--	50,893	50,893	24,363	11,035	35,398	86,291
Conferences, travel and training	--	22,229	22,229	8,190	3,573	11,763	33,992
Program and campaign materials, services and supplies	--	75,041	75,041	7,983	9,695	17,678	92,719
Special events	--	1,955	1,955	605	870	1,475	3,430
Insurance	--	3,271	3,271	1,537	1,421	2,958	6,229
Depreciation	--	14,887	14,887	1,095	1,013	2,108	16,995
Miscellaneous	--	2,500	2,500	500	--	500	3,000
United Way Worldwide membership dues	--	13,926	13,926	6,541	6,048	12,589	26,515
	<u>\$ 264,976</u>	<u>\$ 2,145,463</u>	<u>\$ 2,410,439</u>	<u>\$ 447,012</u>	<u>\$ 372,863</u>	<u>\$ 819,875</u>	<u>\$ 3,230,314</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 690,236	\$ --	\$ 690,236	\$ --	\$ --	\$ --	\$ 690,236
Amounts designated by donors	(122,454)	--	(122,454)	--	--	--	(122,454)
Net community investments	567,782	--	567,782	--	--	--	567,782
Advertising and in-kind media donations	--	719,632	719,632	4,179	1,305	5,484	725,116
Salaries and wages	--	493,834	493,834	249,340	245,879	495,219	989,053
Payroll taxes and benefits	--	129,370	129,370	65,320	64,413	129,733	259,103
Professional and other fees	--	253,314	253,314	12,823	11,245	24,068	277,382
Occupancy expenses	--	53,261	53,261	40,852	15,971	56,823	110,084
Office expense	--	44,041	44,041	18,080	8,855	26,935	70,976
Conferences, travel and training	--	32,581	32,581	9,046	7,255	16,301	48,882
Program and campaign materials, services and supplies	--	89,131	89,131	2,974	4,314	7,288	96,419
Special events	--	910	910	697	1,006	1,703	2,613
Insurance	--	3,087	3,087	1,559	1,537	3,096	6,183
Depreciation	--	2,692	2,692	831	819	1,650	4,342
Miscellaneous	--	2,199	2,199	400	--	400	2,599
United Way Worldwide membership dues	--	12,551	12,551	6,338	6,250	12,588	25,139
	<u>\$ 567,782</u>	<u>\$ 1,836,603</u>	<u>\$ 2,404,385</u>	<u>\$ 412,439</u>	<u>\$ 368,849</u>	<u>\$ 781,288</u>	<u>\$ 3,185,673</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,164,560	\$ 663,464
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	16,995	4,342
Change in beneficial interest in assets held by others	(15,834)	(29,964)
Provision for uncollectible pledges	91,395	82,138
(Increase) decrease in:		
Pledges receivable	(75,497)	(41,411)
Grants and accounts receivables	100,688	(272,693)
Prepaid expenses	(673)	(8,776)
Increase (decrease) in:		
Accounts payable	42,032	(68,132)
Grants payable	3,050	542,665
Accrued expenses	(4,460)	32,049
Designated pledges payable	(3,769)	4
Deferred revenue	(17,531)	7,036
Net cash provided by operating activities	<u>1,300,956</u>	<u>910,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to purchase property and equipment	(5,720)	(37,665)
Purchase of beneficial interest in assets held by others	(136,914)	(224,175)
Net cash used by investing activities	<u>(142,634)</u>	<u>(261,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from Paycheck Protection Program Loan	209,547	--
Net increase in cash and cash equivalents	1,367,869	648,882
Cash and Cash Equivalents, beginning	<u>3,289,701</u>	<u>2,640,819</u>
Cash and Cash Equivalents, ending	<u>\$ 4,657,570</u>	<u>\$ 3,289,701</u>

The notes to financial statements are an integral part of these statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: United Way of Monterey County (the Organization) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, the Organization develops and allocates resources, conducts an assessment of health and human care needs of Monterey County, allocates funds to agencies to meet those needs, and facilitates the distribution of donor directed contributions. The Organization also brings experts together to develop collaborative approaches in addressing human care issues.

Accounting Policies: The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statement of financial position. Other significant accounting policies are:

Basis of Presentation: The financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions received with donor restrictions that are met in the same reporting period are reported as increases net assets without donor restrictions.

Use of Estimates: Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which include certificates of deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the financial statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses allocated include professional and other fees, office expense and United Way Worldwide membership dues, which are allocated on the basis of time and effort studies.

Community Investments: Community investments represent funds disbursed to community impact partners to carry out the Organization's mission of financial stability for families in Monterey County. Awards to community impact partners are recognized in the period the award is unconditionally committed.

Income taxes: The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

The Financial Accounting Standards Board (FASB) issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. As of June 30, 2020, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Property and Equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. All property and equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Major improvements are charged to the property accounts, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years.

Recognition of pledges from fundraising campaign, designations and allocations: The Organization conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2020, the campaign year ran from June 1, 2019, to May 31, 2020. For the year ended June 30, 2019, the campaign year ran from June 1, 2018 to May 31, 2019. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of pledges from fundraising campaign, designations and allocations (continued):

Contributions designated by the donor to nonprofit organizations other than the Organization are included in current year campaign pledges. The Organization serves as the primary fiscal agent with the solicitation and distribution of such pledges. Donor designations and the provision for uncollectible pledges are deducted from the total campaign results to arrive at net campaign support.

Other Support: The Organization receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at the Organization are underwritten by sponsorship or the costs are offset by contributions for the specific event. Generally, the donating companies agree their contributions may also be used for other costs related to the operation of the Organization.

Volunteer Services: A substantial number of volunteers donate significant amounts of time to the Organization's fundraising campaign and administrative oversight. Such services are not reflected in the financial statements since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Advertising: Advertising costs are expensed as incurred, and totaled \$820,173 (\$784,669 in-kind) and \$725,116 (\$687,296 in-kind) for the years ended June 30, 2020 and 2019, respectively.

Upcoming accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. U.S. GAAP guidance requires the use of more estimates and judgments than the present standards, along with additional disclosures. The guidance was deemed to be effective for the Organization for annual reporting periods beginning after December 15, 2018. However, the effective date has since been extended to December 31, 2019. The Organization is assessing the impact this ASU will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upcoming accounting pronouncements (continued): A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is assessing the impact this ASU will have on its financial statements.

Refundable Advance: The Organization received \$209,547 in Payroll Protection Program (PPP) funding on April 24, 2020. The terms of the funding agreement indicate that the Organization must utilize the proceeds to fund/offset qualifying expenses over a twenty-four-week period. The terms of the agreement specify that the Organization must repay the principal of the loan back plus interest, which accrues at 1% semi-annually and matures in two years. The loan may be forgiven if the Organization fulfills the agreed to terms. The Organization's management believes they have met the terms of forgiveness and therefore has recorded the funding as a refundable advance and will recognize the full amount of the PPP funding as a contribution if forgiven by the lender.

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 4,657,570	\$ 3,289,701
Pledges receivable, gross	534,278	553,176
Grants receivable	198,041	298,729
Beneficial interest in assets held by others	<u>923,905</u>	<u>771,157</u>
 Total financial assets	 <u>6,313,794</u>	 <u>4,912,763</u>
 Less amounts not available to be used within one year:		
Board designated funds	1,887,514	1,452,175
Restricted by donors for use in future periods	278,152	320,796
Portion of donor-restricted endowment to be retained in perpetuity	<u>199,733</u>	<u>199,733</u>
 Financial assets not available to be used within one year	 <u>2,365,399</u>	 <u>1,972,704</u>
 Financial assets available to meet general expenditures within one year	 <u>\$ 3,948,395</u>	 <u>\$ 2,940,059</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization strives to maintain a target minimum operating reserve fund equal to six months of average recurring operating costs. As of June 30, 2020, the operating reserve balance of \$1,526,425 was recognized in the financial statements as part of board designated funds. Operating reserve funds are transferred to general investment funds. These funds may be held in medium and long term investment portfolios and may be transferred to the operating fund if needed to cover expenditures. The board has also designated that 10% of all undesignated bequests received will be invested in a long-term investment fund until the Board of Directors authorizes use for a particular purpose.

NOTE 3. CONCENTRATION OF REVENUE

For the year ended June 30, 2020, approximately 40% of the Organization's pledge revenue came from two corporations. For the year ended June 30, 2019, approximately 36% of the Organization's pledge revenue came from two corporations.

For the year ended June 30, 2020, contributions from one major contributor accounted for 32% of the total support to the Organization. For the year ended June 30, 2019, contributions from one major contributor accounted for 21% of the total support to the Organization.

NOTE 4. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

NOTE 5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable, due within one year	\$ 534,278	\$ 553,176
Allowance for uncollectible accounts	<u>(157,000)</u>	<u>(160,000)</u>
Net pledges receivable	<u>\$ 377,278</u>	<u>\$ 393,176</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 6. GRANTS AND ACCOUNTS RECEIVABLES

Grants and accounts receivables include County, private and Foundation grants and miscellaneous receivables. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by the Organization.

Grants and accounts receivables consisted of the following as of June 30:

	2020	2019
Cal EITC	\$ 3,470	\$ 12,636
Community Foundation for Monterey County grant	--	25,000
County grants	113,868	52,072
David and Lucille Packard Foundation grant	50,000	50,000
Harden Grant 2-1-1	15,000	--
MC Health Department grant	--	10,000
Miscellaneous receivables	--	--
Monterey Peninsula Foundation grant	--	125,000
VITA grant	15,703	24,021
	<u>\$ 198,041</u>	<u>\$ 298,729</u>

Due to the collection history and the Organization's experience with various County grants and miscellaneous receivables, no allowance for doubtful accounts was considered necessary for other receivables as management believes all amounts receivable are fully collectible.

NOTE 7. GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2020:

To be paid in 2021	\$ 445,715
To be paid in 2022	<u>100,000</u>
	<u>\$ 545,715</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 8. DESIGNATED PLEDGES PAYABLE

Designated pledges payable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
From other designated gifts received:		
Gross designations payable	<u>\$ 14,842</u>	<u>\$ 18,611</u>

NOTE 9. FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value:

- Interest in assets held at Community Foundation: Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value ("NAV") of shares held by the Foundation at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 9. FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 923,905</u>	<u>\$ 923,905</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 771,157</u>	<u>\$ 771,157</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 771,157	\$ 517,018
Contributions	136,914	224,175
Investment income	29,225	40,522
Grants	(3,779)	(3,727)
Administration fees	<u>(9,612)</u>	<u>(6,831)</u>
Ending balance	<u>\$ 923,905</u>	<u>\$ 771,157</u>

NOTE 10. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation for Monterey County (Foundation) holds funds for the Organization. Funds are composed of the following as of June 30:

	<u>2020</u>	<u>2019</u>
General Endowment	\$ 80,627	\$ 84,026
Stewardship Fund	229,703	232,020
Stewardship Fund II	234,231	216,590
Stewardship Fund III	<u>379,344</u>	<u>238,521</u>
	<u>\$ 923,905</u>	<u>\$ 771,157</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 10. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

General Endowment: In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Foundation with an initial contribution of \$33,175. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of the Organization at the discretion of the Foundation's Board of Directors. Earnings, net of administrative fees, are distributed to the Organization on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Stewardship Funds: In 2012, 2016 and 2018, the Organization established a Stewardship Fund, Stewardship Fund II and Stewardship Fund III, respectively, with the Foundation, for the benefit of the Organization. The Organization granted variance power to the Foundation; thus, the Foundation has full authority and discretion as to the investment and reinvestment of the assets.

In the event of the dissolution of the Organization or in the event it shall no longer be an organization described in Section 170 (c) of the Internal Revenue Code of 1954, as amended, the Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of the Foundation most nearly serve the purposes and objectives of the Organization. All monies held in the funds are subject to the power of the Foundation to modify any restrictions or conditions on the distribution of monies for any specified charitable purposes or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

The earnings payout of the funds is evaluated at least annually by the Foundation, in light of total return from investments, fees, expenses, and the effects of inflation, and for the General Endowment, the annual payout is typically 5% of the fair market value of the fund at December 31 of the preceding calendar year. For the years ended June 30, 2020 and 2019, there was no payout of earnings from the Stewardship Funds.

NOTE 11. BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following as of June 30:

	2020	2019
Operating reserve fund	\$ 1,526,425	\$ 1,228,000
Long-term investment fund	361,089	224,175
	<u>\$ 1,887,514</u>	<u>\$ 1,452,175</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2020, activity in net assets with donor restrictions was as follows:

	Beginning 6/30/2019	Additions	Satisfied	Ending 6/30/2020
211	\$ 58,700	\$ 271,691	\$ 284,541	\$ 45,850
Impact Monterey County	45,292	44,267	70,691	18,868
Financial Education Workshops	15,000	12,500	15,000	12,500
Volunteer Center	20,000	11,612	31,612	--
VITA	42,950	68,959	111,909	--
Stuff the Bus	33,026	53,444	57,409	29,061
Asset Building	17,500	47,500	52,500	12,500
Bright Futures	--	84,223	24,223	60,000
Community Impact	--	20,886	8,386	12,500
Endowment earnings	88,328	5,522	6,977	86,873
Endowment principal	199,733	--	--	199,733
	<u>\$ 520,529</u>	<u>\$ 620,604</u>	<u>\$ 663,248</u>	<u>\$ 477,885</u>

For the year ended June 30, 2019, activity in net assets with donor restrictions was as follows:

	Beginning 6/30/2018	Additions	Satisfied	Ending 6/30/2019
211	\$ --	\$ 299,740	\$ 241,040	\$ 58,700
Impact Monterey County	--	112,650	67,358	45,292
Financial Education Workshops	--	43,347	28,347	15,000
Volunteer Center	--	40,000	20,000	20,000
VITA	--	136,615	93,665	42,950
Stuff the Bus	21,510	59,362	47,846	33,026
Asset Building	5,000	19,449	6,949	17,500
Endowment earnings	83,548	11,770	6,990	88,328
Endowment principal	199,733	--	--	199,733
	<u>\$ 309,791</u>	<u>\$ 722,933</u>	<u>\$ 512,195</u>	<u>\$ 520,529</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 13. ENDOWMENT DISCLOSURE

The Organization has two restricted endowments in which the principal is invested in perpetuity and the income is available to support and provide community resources. Total endowments included in net assets with donor restrictions was \$199,733 for each of the years ended June 30, 2020 and 2019.

In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Community Foundation for Monterey County with an initial contribution of \$33,175. Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558. Since that time, these endowment funds have been transferred to the Community Foundation Stewardship Fund.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 13. ENDOWMENT DISCLOSURE (Continued)

Spending Policy: Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted CPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

During the year ended June 30, 2020, endowment net asset activity was as follows:

Beginning balance	\$ 288,061
Interest and dividend income	9,303
Realized and unrealized gains	(3,781)
Grants	(3,779)
Fees	<u>(3,198)</u>
Ending balance	<u>\$ 286,606</u>

During the year ended June 30, 2019, endowment net asset activity was as follows:

Beginning balance	\$ 283,281
Interest and dividend income	9,717
Realized and unrealized gains	2,053
Grants	(3,727)
Fees	<u>(3,263)</u>
Ending balance	<u>\$ 288,061</u>

NOTE 14. COMMUNITY INVESTMENTS AND DESIGNATIONS

The Organization's various fundraising campaigns, contracts and activities resulted in the following distributions to community investment agencies and other benefiting organizations:

	<u>2020</u>	<u>2019</u>
Community investments and designations determined by the Board of Directors	\$ 264,976	\$ 567,782
Designations directed by donor	<u>107,286</u>	<u>122,454</u>
	<u>\$ 372,262</u>	<u>\$ 690,236</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 15. PENSION PLANS

The Organization maintained a Simplified Employee Pension (SEP) Plan for eligible staff members. Employees were eligible to participate in the plan on January 1st of their second calendar year of employment. The Organization adopted a non-binding contribution range of 6-10% of employee earnings. The exact contribution percentage each year was the same for all covered employees. For the year ended June 30, 2019, the Organization's Board of Directors had determined a retirement contribution of 6% of earnings for covered employees. During the year ended June 30, 2019, the Organization contributed \$54,502 to the plan.

Effective July 1, 2019, the Organization changed to an ERISA 403(b) plan covering all employees. Employees are eligible to participate after having worked at least 1,000 hours over a 12 month period. The Organization contributes a non-elective amount of 3% of gross wages for all eligible employees and matches up to 3% of employee contributions. During the year ended June 30, 2020, the Organization contributed \$57,310 to the plan.

NOTE 16. OTHER SUPPORT

Other support consists of the following as of June 30:

	<u>2020</u>	<u>2019</u>
In-kind media donations	\$ 784,669	\$ 687,296
Sponsorship revenue	102,600	138,850
Other in-kind donations	9,518	9,191
Other event revenue	<u>13,092</u>	<u>23,330</u>
	<u>\$ 909,879</u>	<u>\$ 858,667</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
Years Ended June 30, 2020 and 2019

NOTE 17. GRANTS FROM COUNTY OF MONTEREY

The Organization receives grants from the County of Monterey. For the specific grants listed below, certain procedures were applied to the expenses reported under these grants.

<u>Grant Award</u>	<u>Term of Grant</u>	<u>2020</u>	<u>2019</u>
County of Monterey DSS, CalWorks	July 1, 2019 - June 30, 2020 July 1, 2018 - June 30, 2019	\$ 116,743	\$ 116,743
County of Monterey DSS, 211 Referral	July 1, 2019 - June 30, 2022 July 1, 2016 - June 30, 2019	\$ 30,000	\$ 30,000
County of Monterey DOH, 211 Referral	July 1, 2018 - June 30, 2021	\$ 26,000	\$ 26,000
County of Monterey Children's Council	July 1, 2019 - June 30, 2020 July 1, 2018 - June 30, 2019	\$ 41,200	\$ 40,000
County of Monterey Community Education Management Services	April 1, 2019 - June 30, 2021	\$ --	\$ 10,000

NOTE 18. LEASE COMMITMENTS

Effective May 1, 2010, the Organization entered into an agreement to lease an office facility in Monterey. The term of the lease was for five years ending April 30, 2015, and an option to renew the lease for one additional period of five years was exercised. On May 1, 2020, the term of the lease was extended for a period of two years, ending on April 30, 2022. The lease requires monthly payments of \$5,736 and provides for an annual increase in the base rent.

The Organization leases an additional office in Salinas. The term of the lease was for two years ending January 31, 2018, and an option to renew the lease for an additional period of two years was exercised. The lease was extended for two years beginning February 1, 2020 and ending January 31, 2022. The lease requires monthly payments of \$2,844 and provides for an annual increase in the base rent.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
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NOTE 18. LEASE COMMITMENTS (Continued)

Total rent expense incurred under all operating leases described for the years ended June 30, 2020 and 2019 totaled \$103,077 and \$102,493, respectively.

The future minimum rental payments required under these leases as of June 30, 2020 are as follows:

2021	\$ 104,850
2022	<u>79,979</u>
	<u>\$ 184,829</u>

NOTE 19. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2020 financial statements for subsequent events through October 22, 2020, the date of issuance of the financial statements. On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The pandemic in the United States and throughout the world has resulted in substantial volatility in financial markets, which could lead to an adverse impact on the Organizations future financial results.